

United States Department of Agriculture  
Agricultural Adjustment Administration  
Division of Information

Reserve

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CURRENT COTTON SITUATION AND OUTLOOK

(This is an informational publication,  
"Cotton and the AAA," now in preparation by the Division of Information.)

Cotton farmers are entering the 1940-41 season facing a surplus problem that is growing more severe with the loss of foreign markets. It is a problem that goes back to 1937. In that year when no adjustment program was in effect, a record-breaking crop of 19 million bales nullified the adjustment work of the four previous years.

Since 1937, cotton farmers, by widespread cooperation with the new adjustment program, have prevented an increase of the surplus, although their progress in adjustment and in increased domestic consumption has been offset by decreased world markets.

The Foreign Market

In the past, the American cotton farmer has depended upon the foreign market for disposing of about 50 percent of his annual cotton production. For the 1938-39 season this percentage dropped to 26.5 percent.

Largely as a result of an export subsidy program inaugurated in July 1939, exports for the 1939-40 season showed a marked increase, exceeding 6 million bales. Even after the war began cotton exports continued on a heavy scale when belligerent countries as well as neutrals rushed to build up cotton stocks while prices were low and ocean lanes remained open. By the end of the war's first year, however, there were indications that even for cotton the effect of the war would prove to be severely restrictive. This was borne out in the early months of the 1940-41 season when exports declined to an unusually low level and it seemed probable that they would be sharply curtailed for the entire season.

The export slump was due to (a) war and naval blockades, (b) large reserves of cotton in some countries abroad, (c) necessity for belligerent nations to conserve American exchange for the purchase of war materials, (d) restrictions on shipping facilities, and (e) low price of foreign growths compared with American cotton.

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1. The Department of the Interior  
has received information from the  
Bureau of Indian Affairs

Washington, D.C.

CONFIDENTIAL INFORMATION

There is no information held by the  
Bureau and the AIA on the subject  
of the Division of Information.

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The Federal Government

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Practically all of continental Europe (excluding Russia), where in the 5 years ending July 1939 consumption of imported cottons averaged roughly 5 million bales, including 2.5 million bales of American cotton, is cut off from exporting countries by the military blockade. If the blockade is continued, little cotton will be imported into this important consuming area during the current season. This, together with less favorable consumption prospects in Japan, China, and Great Britain, will materially reduce world exports and consumption.

These conditions, and wide price disparities between American and the more important competing foreign cottons in most of the accessible markets, reduced exports of American cotton in August and September of 1940 to 140,000 bales. This was about 85 percent less than those of a year earlier and the smallest for the period since 1879. Total exports for the 1940-41 season even one-fourth as large as last season would require a greatly accelerated rate of shipment for the remainder of the marketing year. Through a reduction in stocks, foreign consumption of American cotton may possibly exceed United States exports by 1 or even 1.5 million bales.

The shock of the loss of export markets for American and foreign cottons is being cushioned by the United States Government's loan program. With about 8-3/4 million bales of Government-financed stocks as of September 30 not available to cotton merchants and spinners at existing prices, domestic prices were being supported at about the 1940 loan rates.

#### Domestic Consumption

Domestic consumption of cotton, which for the last 10 years has averaged 6.2 million bales, reached a total of 7.7 million bales for 1939-40, and indications are that this figure will rise to above 8 million bales for 1940-41.

The increased business activity, employment and pay rolls, stimulated in a large part by the defense program, are the chief reasons for the rise in domestic cotton consumption. Together with the greater consumer purchases of cotton clothing and household goods, there are greater governmental purchases of cotton textiles, including those for national defense; the operation of such Department of Agriculture programs as the mattress-making project to increase home consumption of cotton; the expanded Government cotton products export payment program; and reduced competition from European textiles.

In view of these developments, and reasonably small present stocks of cotton goods, domestic mills seem likely to consume considerably more than 8 million bales of cotton during the year.

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Consumption may total 8.5 to 8.7 million bales, particularly if Government purchases for defense purposes should be as important as some observers believe. Consumption totaled 7.7 million bales last season. The record high was in 1936-37 when nearly 8 million bales were processed.

Reduced consumption in foreign countries, however, is expected to much more than offset the increase in the United States.

### 1940-41 Supply Situation

With the world carry-over on August 1, 1940 estimated at 20.3 million bales and a new crop indicated at 29.3 million bales, the world supply of raw cotton for 1940-41 is estimated at 49.6 million bales, from one-fifth to one-sixth larger than the 1928-1937 average.

Because of the reduced world consumption and the indicated 1940 world crop, it is estimated the world carryover on August 1, 1941 will set a new record, exceeding the previous high of 22.7 million bales in 1938.

Even with a substantial reduction in next year's world crop, the 1940-41 supply of raw cotton might again be only a little below the 50 to 50.5 million-bales record of 1937-38 and 1938-39. With no reduction in production, next season's world supply probably will reach a new high.

Slightly more than half of the indicated 1940-41 world supply, or approximately 25 million bales, is United States grown cotton. This American supply, half of which is cotton carried over from the previous year, is near the level of the last two seasons. It is only one million bales less than the record high of 1932-33, and 3 million bales larger than the 1928-1937 average.

On the basis of the November crop estimate and with a continuation of the war about as in early November, the August 1941 world carryover of American cotton may approach or even exceed the 1939 peak of more than 14 million bales. All but about one million bales or less of the American cotton carried over is likely to be in the United States, most of it owned or held as collateral by the United States Government.

### Price and Income

Because of the pressure of near-record supplies on prices, the United States cotton farmers have depended more heavily on the cotton loan program to maintain their prices and returns. In 1940, the loan rates are for the most part from 0.21 to 0.35 cents higher per pound than the 1939 rates.

With the higher loan rates and prospects for greater United States consumption, domestic prices averaged a little higher in early November than a year earlier. Prices were only slightly higher than the average for 1937-38 and 1938-39 when, except for 1931 and 1932, prices were the lowest since the beginning of the World War in 1914. If prices continue about as in early November, the considerably larger indicated production would give cotton producers an 8 to 10 percent larger return from cotton this season than last. Such returns, however, would be about one-half of the average for the decade of the 1920's.



The cotton crop in the United States is estimated to be about 10 million bales, or 100 million pounds, for the year 1950. This is a record for the United States, and it is expected that the crop will be even larger in 1951. The cotton crop in the United States is the largest in the world, and it is the main source of cotton for the world. The cotton crop in the United States is also the main source of cotton for the United States. The cotton crop in the United States is the largest in the world, and it is the main source of cotton for the world. The cotton crop in the United States is also the main source of cotton for the United States.

### 1950-51 Supply Situation

With the world supply now on August 1, 1950 estimated at 20 million bales, and a new crop indicated at 25 million bales, the world supply of cotton for 1950-51 is estimated at 45 million bales, or 450 million pounds. This is a record for the world, and it is expected that the supply will be even larger in 1951-52.

Because of the reduced world consumption and the increased world supply, it is estimated that the world supply of cotton for 1950-51 will be a new record, exceeding the previous high of 42 million bales in 1949-50.

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On the basis of the November crop estimates and with a continuation of the war about as in early November, the August 1951 world supply of cotton is estimated to be about 45 million bales, or 450 million pounds. This is a record for the world, and it is expected that the supply will be even larger in 1951-52.

### Price and Income

Because of the pressure of the present of more record supplies in cotton, the United States cotton farmers have demanded more parity in the cotton loan program to maintain their prices and income. In 1950, the loan rates were for the first time from 0.41 to 0.45 cents higher per pound than the 1949 rates.

With the higher loan rates and prospects for greater United States cotton production, cotton prices averaged a little higher in early November than in early October. Prices were only slightly higher than the average for 1949-50, and 1950-51 prices were only slightly higher than the average for 1949-50. This is a record for the world, and it is expected that the supply will be even larger in 1951-52.